

A. Recent Developments in the SBA 7(a) and Express Programs:

1. Effective 01.01.14, and subsequently effective 07.01.14, SBA loan processing is governed by SOP 50-10-5F, located here:
<http://www.sba.gov/sites/default/files/sops/SOP-50-10-5F-June-18-2014-Updated-for-Credit-Score-final-highlightedl-Clean.pdf> . This SOP is cited further below for additional information.
2. All SBA applications are now required to be processed via E-Tran. Lenders responsible for processing applications must establish E-Tran accounts to do this.
3. For loans approved between 10.01.13 and 09.30.14, for all 7(a) loans \leq \$150,000, the SBA guaranty fee and ongoing servicing fee are waived.
4. For loans under the Express program only, in addition to the fee waivers above, for veteran loans, the guaranty fee is also waived (but the ongoing guaranty fee of 0.52 basis points remains in place for veteran loans \$150,001 – 350,000). To clarify, an eligible applicant is a small business that is 51% or more owned and controlled by an individual or individuals in one or more of the following groups: veterans (other than dishonorably discharged); service-disabled veterans; active duty military service member participating in the military's Transition Assistance Program (TAP); reservists and National Guard members; or current spouse of any veteran, active duty service member, or any reservist or National Guard member; or widowed spouse of a service member who died while in service or of a service-connected disability.
5. Clearance of bank personnel and borrower's agents: Individuals and entities suspended, debarred, revoked, or otherwise excluded under the SBA or Government-wide debarment regulations are not permitted to conduct business with SBA, including participating in an SBA-guaranteed loan. Lenders are responsible for consulting the System for Awards Management (SAM) Excluded Parties List System (EPLS) or successor system to determine if an employee or Agent has been debarred, suspended or otherwise excluded by SBA or other federal agency.
 - a. Clearance of bank personnel (processing and approving the loan) is required only once. Lender must document in its files that this due diligence was performed satisfactorily.
 - b. Set up an account at www.sam.gov . When account is set up, at the top of screen, click "Data Access", then "Public Extracts" on the left. Scroll down to "Exclusions extract data package" and open file. Scroll down to determine if 1) bank and bank officer and/or 2) borrower agent company and individual are excluded from doing business with the government.
 - c. Additionally, lenders are responsible for reviewing SBA's webpage list of Agents that have been subject to an enforcement action or have been otherwise excluded from the privilege of conducting business with SBA and must refrain from doing business with any Agent appearing on the list

during the time that an Agent is suspended or revoked from SBA programs. See <http://www.sba.gov/about-sba-services/18351> .

6. Effective 04.21.14, the utilization of personal resources test is no longer in effect. (The Federal Register Notice referencing the removal of 13CFR120.102 is located here: <http://www.sba.gov/sites/default/files/Final%20Rule%20-%20Federal%20Register%202014-06237.pdf> .) This test has not, however, been removed from the current SOP. It is slated to be removed from the next SOP iteration, which would be SOP 50-10-5G.

B. Prior to submitting an application:

1. Ensure you have an E-Tran account. If you do not, follow these steps:
 - a. Step One: Obtain E-Tran User Id and Password
 - i. Apply on-line at <https://eweb.sba.gov/gls> for ETRAN password. Left-hand side: click “Request SBA user ID & Password”. Helpful Tips: User ID – Create your own! The User ID must be between 8 and 15 characters long. Contact info – Use your lending institution’s address, phone number and email exchange (no gmail, yahoo, etc.). Be sure to select “lookup zip” and then complete remaining fields.
 - ii. Once complete, click SUBMIT at the bottom of the page. You will be emailed a temporary passcode immediately. Log back into the “GLS website” and create your own password. It will require at least 8 and up to 15 characters AND must contain at least three (3) of these elements: Upper case, Lower case, numeric and a symbol. Example - *Sample123!*
 - b. Step Two – Obtain Access Rights to E-Tran Origination and Servicing
 - i. Go To: <https://eweb.sba.gov/gls> and login with username and password from step one. At the top of the page after login, click the ACCESS button on the top of the screen.
 - ii. Scroll down to “Electronic Lending - Origination (E-Tran)” and click the check box directly below next to “Enter/Edit Loan Applications”. Enter your Bank’s SBA Location ID# using the drop down box.
 - iii. Scroll Down to “Electronic Lending – Servicing (E-Tran)” and click the check box directly below next to “Update Loan & Guaranty Portfolio Servicing”. Enter your Bank’s SBA Location ID# using the drop down box.
 - iv. Scroll to the bottom of the page and click “Submit”. Your access will be granted in 72 hours.

C. Processing the Application: The following forms must be completed. See www.sba.gov/for-lenders for updated forms in case the links below become obsolete.

1. Bank must approve loan first.
2. For existing small businesses and business acquisition, lender must order the *business* tax transcripts and compare the income statement information reported to IRS vs. that reported in financials submitted to the lender. Lender must verify in

- is credit memo whether there are any discrepancies between the two. Borrower must authorize IRS to release the tax transcripts to the lender who then sends the form to the proper IRS office serving NC indicated on the form. SBA Form 4506-T: http://www.sba.gov/sites/default/files/forms_irs45t.pdf
3. Delegated lenders (such as express lenders) are responsible for checking the Credit Alert Verification Reporting System (CAIVRS) to determine if any of the individuals or businesses has either a Delinquent Federal Debt or a Prior Loss which would result in the Small Business Applicant being ineligible for SBA financial assistance. Notice and instructions are here: <http://www.sba.gov/sites/default/files/5000-1227.pdf>
 4. Lender must complete these forms:
 - a. SBA Form 1919, Borrower Information: <http://www.sba.gov/lender-documentation-tool?type=form&kw=1919&kw2=1919>
 - b. SBA Form 1920: http://www.sba.gov/sites/default/files/SBA%20FORM%201920e_review.pdf
 5. Guarantors/principals: Non-citizen owner(s)? Then the lender must verify legal residency with U.S. CIS (formerly INS): <http://www.uscis.gov/files/form/g-845.pdf>
 6. Begin the SBA application process with E-Tran. Time-saving tips:
 - a. Complete only the fields bordered in blue. Skip the rest.
 - b. Skip the collateral section completely. If you accidentally input any field, click “clear” at the bottom and then “next”.
 - c. Skip the business financial statement section. “Clear” if necessary.
 - d. Skip the personal financial statement section. “Clear” if necessary.
 - e. At this time, a DUNS number is helpful if there is one for the borrower, but is not necessary. This could change in the near future.
 7. E-Tran will generate an SBA loan number for you.

D. Closing the SBA Loan:

1. Once E-Tran replies with your approval / SBA loan number, input that loan number onto the short-form SBA loan authorization and have the bank’s authorized signatory sign the document on behalf of SBA: http://www.sba.gov/sites/default/files/bank-auth-sba-express-form_20140115.doc
The field office serving you is: U.S. SBA North Carolina District Office, 6302 Fairview Road, Suite 300, Charlotte NC 28210. For any fee waivers, you will need to manually notate that those are waived (paragraph 3).
2. If applicable, make sure the SBA guaranty fee gets paid, or the guaranty gets canceled. Guaranty fee payments must be made via pay.gov. See this link and go to pay.gov (at bottom of screen) and follow prompts to make payment: <http://www.sba.gov/category/lender-navigation/lender-e-payments>
3. Do not send any closing documents to the SBA, but retain all of them in the credit file. You close the loan as you usually would. Be aware that all equity injections and all disbursements must be thoroughly documented.

4. For all 7(a) loans, whether processed under non-delegated or delegated authority, lenders have the option of using their own note and guaranty agreements rather than the SBA versions (SBA Forms 147, 148 and 148L). If using its own forms, lender must incorporate the verbiage specific in the above SOP p. 205 - 206.
5. Equity injection requirements are on pp. 162 - 163 of the above SOP. If the lender requires an equity injection and verifies same for its non-SBA loans, then it must do so for an Express loan.
6. Loan closing and disbursement requirements are on p.208 - 210, also in the above SOP. (In general the lender must use the same closing and disbursement procedures and documentation as for similarly sized non-SBA loans.)
7. Complete Form 159 and send that to Colson Services, the SBA's fiscal transfer agent for 1502 reporting, with your first Colson 1502 reporting:
http://www.sba.gov/sites/default/files/serv_tools_forms_lender_1597a.pdf
8. If loan proceeds are for more than \$10,000 in construction, complete this form:
http://www.sba.gov/sites/default/files/tools_sbic601.pdf
9. Many servicing actions can be done unilaterally or with prior SBA approval. Consult this matrix for allowable lender actions:
http://www.sba.gov/idc/groups/public/documents/sba_program_office/unilateral_action_matrix.pdf

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